

VIRGINIA SMALL BUSINESS ADVISORY BOARD

December 4, 2008

707 East Main Street, 3rd Floor, Board Room

Richmond, Virginia

- I. Members present: Mr. Robert Nealon (Chair), Mr. Phaedrus Acgtblu, Mr. Douglas Adams, Ms. Melissa Ball, Ms. Gena Thompson Burr, Ms. Claire Guthrie Gastañaga, Dr. Francine DeFerreire Kemp, Ms. Lisa Watson McCarty, Mr. Bernard Robinson, Mr. Ronald Seward, Mr. Prescott Sherrod, Mr. Frank Smith, Mr. Greg Terrill, Mrs. Lynda Sharp Anderson (Ex-Officio), Mr. Ronald Bew (Ex-Officio) and Ms. Barbara Anderson (Board Secretary).

Guests: Ms. Beverly DeMao, Partners Financial Federal Credit Union; Mr. Patrick Mulloy, United States-China Economic and Security Review Commission; and Mr. David N. Smith, Deputy Secretary of Commerce and Trade.

Staff present: Ms. Tammy Farmer, Business Information Services.

Members and Staff not present: Mr. Carlos Brown, Mr. R. Leon Moore (Ex-Officio), and Elizabeth Moran.

II. Welcome

- Chair Nealon called the meeting to order at 10:05 a.m. and welcomed the members, guests and staff.
- Chair Nealon introduced the Board's newest member, Mr. Ronald Seward, representing Congressional District 11.

III. Secretary's Report – Deputy Secretary David Smith

- Commerce and Trade – Governor's last year. Focus on energy and the environment – green products, green services, and green technology.
- General Assembly starts January 14, 2009 at noon – short session - and plans to adjourn February 28, 2009.
 - Contentious session regarding budget.
 - Budget crisis - industry really feeling the pain.
 - Last year the housing industry in Virginia ranked in lower third in foreclosures. Today – top ten. Troublesome part today – home values. Look toward regulatory basis to try and help situation in Virginia.
- Chair Nealon asked which counties in Northern Virginia were most affected.
- Deputy Secretary Smith responded - Prince William County – but added that all areas of the state are affected now.

- Ms. Gastañaga added that because of what they did to Latinos small businesses collapsed since they were driven by the population. Markets and restaurants closed. Aging housing stock. Racial animosity should not have been downplayed.
- Deputy Secretary Smith stated that it would be same at this point. Hopefully – better in 2009-2010.
- Deputy Secretary Smith – DBA Study – Very good, very thorough study. He thanked the Board for their participation and Chair Nealon for his input.
 - Governor \$700,000 not enough to show reason to merge.
 - Delegate Massie confirmed will bring up bill again this year.
 - Chair Nealon designated Ms. Gastañaga to draft a letter for his signature to Delegate Massie underscoring the Board's position.
 - Ms. Gastañaga – VEDA will recommend and support merger. Governor not inclined to do so.
 - Mrs. Sharp Anderson – VEDA proponent of putting back the way it was. We have to get support to legislation.
 - Chair Nealon – Applause for Deputy Secretary Smith for his support.

IV. Approval of Minutes

- Chair Nealon motioned for approval of the Minutes from October 16, 2008 – Mr. Smith moved to approve, Mr. Acgtblu seconded. The Minutes were unanimously approved by a voice vote.

V. Director's Report

- Mrs. Sharp Anderson stated that she is waiting for the Governor's budget – December 15th. Late January or early February reforecast numbers – additional budget reductions. Requested recommendations from staff with 5%, 10% and 15% reductions. Not looking good – into flesh of agency. As reported, last figures at 6% - a lot of uncertainties and unknowns for future.
- Governor's thought of green and environment – effort to go green.
- Encourages members to pursue going green among their constituencies.
- Municipal Business League conference in January 2009. Focus – going green to make green.
- We will be coming out of recession eventually. Should be thinking along these lines – what we should do to prepare ourselves for the boom times.
- Business Appreciation Week 2009 in May – will appreciate businesses. May 11th kick-off Breakfast – Dominion Resources sponsor. Proposing to host a summit on that Wednesday. Best minds in a room to talk about what we as an agency can bring forward on table for what State government can do to help small businesses. Seeks support of Board – partner to put this together. Create subcommittee. Recommendations from summit will be delivered to Governor.

- State of Small Business – Jeff Lecher, Federal Reserve. Met with Federal Reserve and looking at Small Business report. Waiting to hear back from them. Extending small business effort into the summit – to make happen.
- Mrs. Sharp Anderson to Ms. Anderson – Remind Mrs. Sharp Anderson to keep Mr. Acgtblu and Ms. Gastañaga in the loop for Small Business Report.
- January 19th Gala – Small, Women and Minority-owned businesses of Virginia – Presidential Gala - Arlington - \$100 per person. Governor will attend and asked Governor to invite President Obama. Electronic invitation will be sent to each Board member.

VI. Lending for Small Businesses

- Chair Nealon asked Mr. Acgtblu to introduce Ms. Beverly DeMao, CEO, Partners Financial Federal Credit Union. Mr. Acgtblu knows Ms. DeMao through the Council of CEOs.
- Ms. DeMao stated that it is very important that a relationship be established with the credit union.
 - Credit Unions are cooperatives who focus on providing the best rates/services/products to their members.
 - Banks focus on dividends to shareholders.
 - Unlikely that a credit union will be a source for someone shopping for a loan.
- Ms. DeMao – small business lending in credit union arena. “The anonymous banker” – blog - New York Times.
 - Why are small SBA loans disappearing?
 - Not just economy.
 - Loans down 20-25%.
 - Loans were poorly underwritten.
 - Need to do a better job at what we are doing.
 - Good news - Bad news
 - Good news – shows a trend
 - Bad news – small amount.
- Statistical information from the June 30, 2008 report -
 - Business lending grew by 18.1% June 2008 over June 2007 nationally in credit unions.
 - Market share is still small; this segment is growing more rapidly than all others.
 - First mortgage growth rates are 2nd at 16.2% over the same period.
 - Virginia business loans grew by 43.5% June 2008 over June 2007. This large growth rate can primarily be attributed to the low composition of business loans.
 - Nationally, business loans comprise 5.5% of credit union loan portfolios.

- Only 18.5% of Virginia credit unions offer business loans.
 - In the U.S., 26% of credit unions offer business loans.
- Credit unions recommend areas they need to be involved in.
 - Look to the service January 2009 development programs further.
 - Participation loans.
 - Credit Unions not for profit.
 - Have some of best rates in town.
 - Have to participate in SBA loans.
- Good news – most credit unions involved with commercial lending - Cautious opportunity. Participate with credit union.
- Small businesses are much smaller than state definition – opportunity.
- Credit unions as a resource – small but growing. Virginia Credit Union League can provide referrals for credit unions participating in commercial lending in any particular area.
 - David Miles – Virginia Credit Union League – credit unions in your given area that would be in the business of commercial lending– 434-237-9608.
 - Bronco Credit Union – Franklin – Bob Petty (plus two others).
- Spread the word that credit unions are becoming more involved in this area.
- Funds are drying up.
- Comments –
 - Chair Nealon – Represented credit unions over the years. Small business market - No access to capital.
 - Going to get worse.
 - Small businesses can access credit unions for loans – business loans.
 - Opportunity to help small businesses obtain financing. Mr. Acgtblu to assist.
 - Mr. Robinson shared obtaining two new contracts and finally receiving financing to go forward.
 - Mr. Bew – Hard to determine how many credit unions.
 - Ms. DeMao – Will be in touch with Mr. Bew, SBA.

VII. New Business

- Chair Nealon – Small business definition – Mr. Acgtblu Agenda Item. Parallel discussion going on at the Chamber. Going to be a hot topic. Are state definitions appropriate?
- Strategic Plan Committee 2009 – Ms. Gastañaga, Dr. Kemp, Ms. Ball and Mr. Acgtblu.
 - Update and review
 - Circulate draft for action at January 15, 2009 meeting.
- Mrs. Sharp Anderson – Summit – seeking Small Business Advisory Board to assist.
- Next meeting Thursday, January 15, 2009. General Assembly building? Ms. Anderson, Ms. Moran to obtain room.

VIII. Adjourn

- Chair Nealon adjourned the business meeting at 11:35 a.m.
- The Board members proceeded to The Bull and Bear Club for the Holiday Luncheon.
- Following lunch, Chair Nealon – Host – introduced the keynote speaker, Mr. Patrick Mulloy, Commissioner, United States-China Economic and Security Review Commission. He stated that Mr. Mulloy is the foremost person in the U.S. on global issues regarding China and commerce.
- Mr. Mulloy spoke about the newly released *2008 Report to Congress* – Opportunities for doing business in China and for China companies doing business in Virginia.
- Chair Nealon announced that he was appointed to the Board of the Virginia Chamber of Commerce - Small Business Committee.
- In conclusion, Chair Nealon announced the Small Business Advisory Board Member of the Year as Ms. Claire Guthrie Gastañaga; and Virginia Department of Business Assistance Staff Person of the Year as Barbara Anderson.
- Adjourned at 1:45 p.m.

Respectfully submitted,

Barbara Anderson
SBAB Secretary